

Energy Mutual Dependency Between Russia and China:
Analyzing Cooperation through the Lens of Realist Theory
Undergraduate Research Thesis

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by

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Introduction

Complex history, culture, and events have distinguished Russia and China as two of the largest superpowers in both Asia and the world today. Russia and China—respectively, the world’s largest landmass and population—have been key players in the international community, especially as leaders of the communist second world. Despite their commonalities, these two countries have not always had the best relationship, especially during the 1960’s when China was a “vocal critic of Soviet policies at home and within the socialist camp” and the 1970’s where China played the role of the Soviet Union’s “major military and political adversary.”¹ The Sino-Soviet split and border conflict of the 1960’s put a damper on their relationship for many years to come; and it was not until the mid-1990’s that they started to make amends. After the fall of the Soviet Union, both countries took steps to improve their relationship. The 1992 non-aggression declaration ended each other’s “quest for regional hegemony,” and 1996 saw Russia loan China two billion dollars to “supply Russian nuclear reactors for power generation in northeast China.”² The “Treaty for Good Neighborliness, Friendship and Cooperation” (2001) furthered their joint effort to improve relations and a 2012 “Comprehensive Strategic Partnership of Coordination” bolstered the relationship’s positive direction.³

In terms of economic integration, however, Russia and China had not made substantial progress until the mid-2010’s when considerable projects, especially in the energy sector, were initiated. China’s “Belt and Road Initiative” (BRI), introduced in 2013, was one of the key catalysts to the developing Russo-Chinese economic partnership. The BRI outlines China’s plan

¹ Pollack, J. (1978). Sino-Soviet Relations. *Proceedings of the Academy of Political Science*, 33(1), 30-46.
doi:10.2307/1173970

² Berkofsky, A. (2014). RUSSIA AND CHINA: THE PAST AND PRESENT OF A ROCKY RELATIONSHIP. *Il Politico*, 79(3 (237)), nuova series, 118. Retrieved from www.jstor.org/stable/44735412

³ Ibid.

to connect the world into one large trade network, similar to the ancient Silk Road. Xi Jinping desires to connect China by land and sea to the largest economic opportunities in Europe, Central Asia, and Africa as seen in Figure 1.

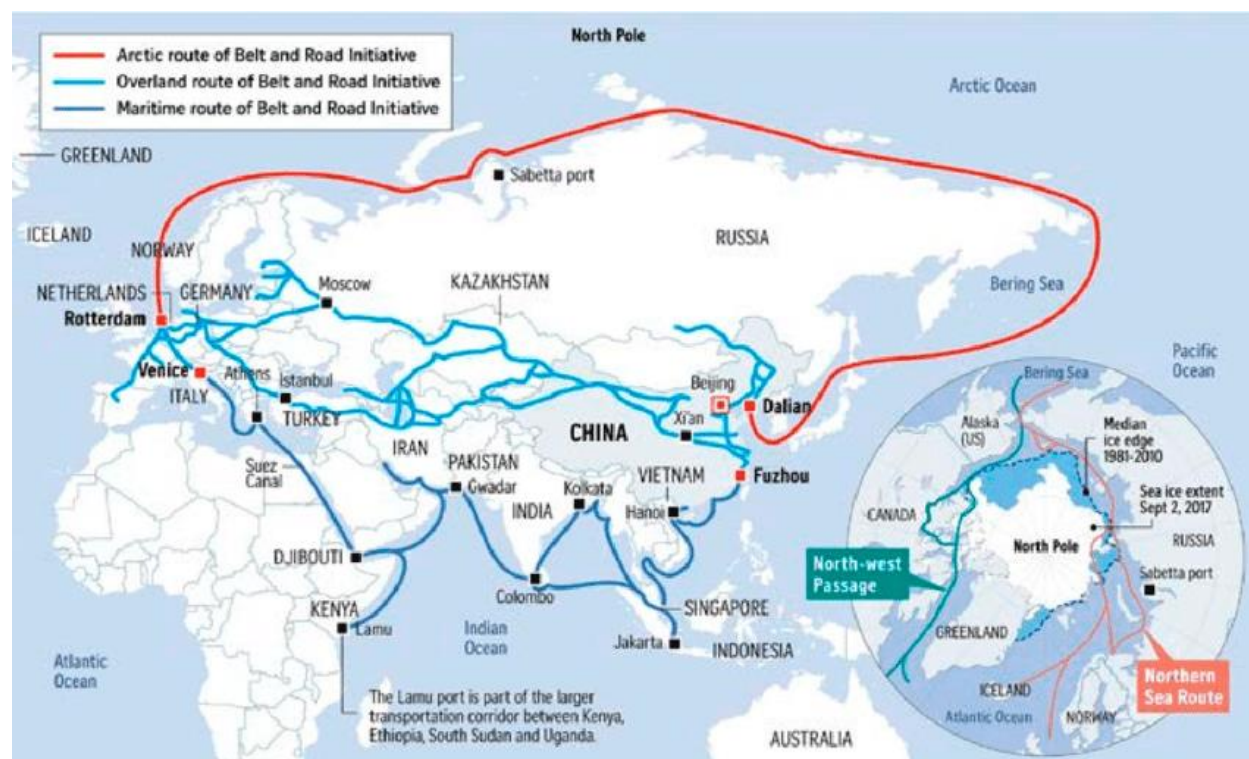


Figure 1: Map of the plans for the Chinese Belt and Road Initiative (2018).⁴

In his plans to do so, Xi Jinping needs assistance from Russia, especially with energy resources. A global trade network would require China, which already imports a significant amount of oil, to need even more. In the midst of a Sino-American trade war, initiated by US President Donald Trump under his “America First” platform, China has turned to Russia to provide desperately needed energy.⁵ The result of this is an economic interdependence between

⁴ Oziewicz, E., Bednarz, J. (2019). Challenges and opportunities of the Maritime Silk Road initiative for EU countries. *Scientific Journals Maritime University of Szczecin, Zeszyty Naukowe Akademia Morska w Szczecinie*, 59(131), 110-119.
<http://dx.doi.org/10.17402/358>

⁵ Colback, L. (2020, February 28). *How to navigate the US-China trade war*. Financial Times.
<https://www.ft.com/content/6124beb8-5724-11ea-abe5-8e03987b7b20>

both countries. China continues to invest capital into building Russian power plants and pipelines in exchange for oil and natural gas. This move, however, puzzles some in the international community, especially realists.

The Russo-Chinese economic partnership of mutual dependency contradicts a core tenant of realist theory: states seek to maximize their autonomy; they want to be as self-sufficient (autarkic) as possible in the realm of strategic assets.⁶ This is especially true for contiguous great powers, which have the power to hurt each other. By taking on some of the economic deals, Russia and China have put themselves at risk in a mutually dependent relationship. China takes a risk by investing capital and resources into physical infrastructure—fixed assets—that are built in Russia, not China. Likewise, Russia takes a risk that China will gain relatively more in this economic partnership, making gains at Russia's expense. Can realism explain this puzzle?

The solution to the puzzle, this research argues, lies in the different time horizons of each country. Both sides have motivations and expectations that do not appear to make sense in the context of realist theory, but when considering China's and Russia's long- and short-run incentives, the logic is consistent with realist expectations.

⁶ Harknett, R., & Yalcin, H. (2012). The Struggle for Autonomy: A Realist Structural Theory of International Relations. *International Studies Review*, 14(4), 501. Retrieved from www.jstor.org/stable/41804152

Realist Theory

The dynamic relationship between Russia and China has seen its moments of harmony and discord. Over the past 40 years, these contiguous nations have undergone radical changes in government, power, and wealth. The present move toward economic interdependence, embodied in China's "Belt and Road Initiative" (BRI) plans in Russia, contradicts a central tenet of realist theory: states seek to maximize their autonomy; they seek to be as self-reliant as possible.⁷ By extension, economic interdependence increases the probability of war. The logic is straightforward: mutual dependence means mutual vulnerability, which can motivate states to initiate war to ensure continued access to vital strategic materials and goods.

Economic interdependence emerged in the 19th century, when, after the "military and territorial consequences of the Napoleonic Wars" and "the revolution in transport produced by the Industrial Revolution," the need arose for such an economic system. Since then, economic interdependence has been at the forefront of both commerce and foreign policy.⁸ Simply put, interdependence means mutually dependent—states are mutually dependent in economic terms if they rely on each other for products unable to be manufactured at home.⁹ Interdependence can be defined further as "a situation in which two states are mutually vulnerable; each is a hostage of the other in the economic realm."¹⁰ By subjugating itself to an interdependent economic partnership, each state runs the risk of limiting its individual security as a result of the relationship. This, in turn, poses a real threat to the autonomy and well-being of an individual

⁷ Harknett, R., & Yalcin, H. (2012). The Struggle for Autonomy: A Realist Structural Theory of International Relations. *International Studies Review*, 14(4), 501. Retrieved from www.jstor.org/stable/41804152

⁸ Gilpin, Robert, "Economic Interdependence and National Security in Historical Perspective" in *Economic Issues and National Security* (Lawrence: Allen Press, Inc., 1977): 32.

⁹ Waltz, Kenneth N., "The Myth of National Interdependence" in *The International Corporation* (Cambridge: The M.I.T. Press, 1970): 206.

¹⁰ Mearsheimer, John J., "Back to the Future: Instability in Europe after the Cold War", *International Security* 15, no. 1 (1990): 43.

state. It must rely on another nation to provide for certain goods, and such reliance threatens to subjugate a country to the will of its trading partner. Accordingly, realism counsels states to be highly averse to this type of relationship and avoid dependent relationships when they can.

Realism focuses on the key idea of an existence of an anarchic international political system.¹¹ Anarchy simply means the absence of a common inter-state government within an international system.¹² This presents a serious problem for states, as they understand that there is no “overarching authority” or government that can prevent violence, destruction, or even death of a state; this leads to the fundamental realist belief that under anarchy there will always be a sense of mistrust and concern for one’s security.¹³ Anarchy and the need to survive in a dangerous self-help environment explain why states must constantly seek power and security. This view of anarchy becomes part of the foundation for realism’s view on cooperation, more specifically economic cooperation. Cooperation may be valued and wished for by many states, but the underlying possibility of cheating is a daunting fear, as no central agency has the ability to enforce any promises made in the international system.¹⁴

Due to the anarchical nature of the international system, economic interdependence seems entirely unviable to realists. Vulnerability becomes the product of an anarchic system and it tends to result in the possibility of conflict. John Mearsheimer (1990) argues that states will avoid or attempt to free themselves from the vulnerability bred by interdependence in order to protect national security.¹⁵ In protecting national security, states increasingly seek to maintain

¹¹ Mearsheimer, John J., “Back to the Future: Instability in Europe after the Cold War”, *International Security* 15, no. 1 (1990): 44.

¹² Grieco, Joseph M. "Anarchy and the Limits of Cooperation: A Realist Critique of the Newest Liberal Institutionalism." *International Organization* 42, no. 3 (1988): 497.

¹³ Ibid.

¹⁴ Ibid.

¹⁵ Mearsheimer, John J., “Back to the Future: Instability in Europe after the Cold War”, *International Security* 15, no. 1 (1990): 44.

control over the causes of this vulnerability.¹⁶ They, therefore, have a need to control goods, materials, and other necessities that may become unavailable to them through a negative turn in a dependent relationship. The measures a nation might take to gain this control, could direct it straight towards conflict. A dependent state may fear cutoff of a strategically vital good, such as oil or military equipment, or blackmail from the other state.¹⁷ This could cause the dependent state to act in an offensive matter to protect and secure those goods before the other state can strike. Offensive strikes, while benefitting the aggressor, may in turn cause a new conflict. Even though free trade and international division of labor increases the wealth of nations, economic interdependence under anarchy can trigger conflict among trading partners for reasons of security. Anarchy motivates states to fear and distrust others, especially great powers, so the possibility of conflict between two economic partners tends to be higher than the possibility of mutual benefit from such partnership.¹⁸

Additional aspects of the realist view also corroborate the idea that economic interdependence can be a challenge and impractical. It is important to bring up the concept of relative gains when speaking of partnerships within realist theory. Realists contend that states are concerned more about their relative gains than absolute gains.¹⁹ Relative gains are viewed as what one country gains in comparison to another country. Absolute gains focus purely on the amount of gains achieved through cooperation. Countries do not aspire to reach the highest payoff for themselves, but instead look to ensure that other states are not gaining more than

¹⁶ Park, Johann. "Economic Interdependence, Polity Type, Conflict and Peace: When Does Interdependence Cause Peace and Cause War?" *Journal of International and Area Studies* 25, no. 1 (2018): 22.

¹⁷ Mearsheimer, John J., "Back to the Future: Instability in Europe after the Cold War", *International Security* 15, no. 1 (1990): 45.

¹⁸ Grieco, Joseph M. "Anarchy and the Limits of Cooperation: A Realist Critique of the Newest Liberal Institutionalism." *International Organization* 42, no. 3 (1988): 498.

¹⁹ Mearsheimer, John J., "Back to the Future: Instability in Europe after the Cold War", *International Security* 15, no. 1 (1990): 44.

them—and thereby gaining an advantage in their relative capabilities. Cooperation would be easier if a state worried only about its absolute gains.²⁰ When faced with an opportunity to cooperate, states ask “who will gain more?” as opposed to “will both of us gain?”²¹ This mindset is detrimental to any type of cooperation or interdependence but is focused solely on survival. As survival weighs heavy on the mind of a state in a system of anarchy, states are “acutely sensitive to any erosion of their relative capabilities.”²² States then enter only into deals they know they will comparatively gain more as they have to be careful to prevent increases in the relative capabilities of others—this ensures their position remains equal or better than their counterpart.²³ This focus on “defensive positionality”, as coined by Joseph Grieco, constrains cooperation because states face uncertainty about the future (e.g. whether the partner will remain a friend or become an enemy).²⁴ As no inter-state government has regulation capabilities in the international system, the future becomes uncertain to members of the system. Countries then have to consider the relative capabilities and the possibility of change for those capabilities in the future when deciding upon action in the present. This causes an unwillingness for cooperation and makes it difficult to cooperate every time. As long as relative gains concerns remain, the path to successful cooperation will be a challenge.

Another realist argument against economic interdependence concerns the issue of asymmetric interdependence. It is quite likely that one state in an interdependent relationship will be more dependent than the other.²⁵ There will always be a state that comes out of the

²⁰ Ibid.

²¹ Waltz, Kenneth N., “Theory of International Politics” (New York: McGraw-Hill, 1979): 105.

²² Grieco, Joseph M. "Anarchy and the Limits of Cooperation: A Realist Critique of the Newest Liberal Institutionalism." *International Organization* 42, no. 3 (1988): 498.

²³ Grieco, Joseph M. "Anarchy and the Limits of Cooperation: A Realist Critique of the Newest Liberal Institutionalism." *International Organization* 42, no. 3 (1988): 499.

²⁴ Ibid.

²⁵ Mearsheimer, John J., “Back to the Future: Instability in Europe after the Cold War”, *International Security* 15, no. 1 (1990): 46.

partnership a winner and one a loser and this causes issues for two major reasons. First, losers “rarely accept defeat gracefully” and this can drive conflict.²⁶ A state not only has its own constituents to impress, but also must consider its position in the international community. Losers can be troublesome and according to Mearsheimer, unequal partnerships give states “more to squabble about.”²⁷

Second, the competitive nature of the system makes “losing” especially dangerous. With no supranational governmental power ruling over the international system, the state that is more depended on by others may take advantage of its enviable position by engaging in blackmail and brinkmanship.²⁸ In other words, the state that is less dependent in its relationships with others has a power advantage over them—it can exercise control and influence over the states that rely upon it.²⁹ An example of this is the possession of oil in the OPEC countries and their ability to demand what they want. As wealthy importing countries continued to demand oil from OPEC nations in the 1970s, those nations were able to take advantage of their position and increase their revenue. OPEC countries threatened to cut off access to oil companies who did not give in to their demands and were able to increase their revenues as the oil companies had no choice but to give in; the revenues of these countries increased from \$7 billion in 1970 to \$18.5 billion in 1975.³⁰ As they were in a relatively higher position and the system was anarchic, they were able to take advantage of the system and their position to gain even more money from countries that relied on them. This draws back to my previous argument that dependent states fear actions just

²⁶ Mearsheimer, John J., “Back to the Future: Instability in Europe after the Cold War”, *International Security* 15, no. 1 (1990): 45.

²⁷ Mearsheimer, John J., “Back to the Future: Instability in Europe after the Cold War”, *International Security* 15, no. 1 (1990): 46.

²⁸ Ibid.

²⁹ Waltz, Kenneth N., “The Myth of National Interdependence” in *The International Corporation* (Cambridge: The M.I.T. Press, 1970): 221.

³⁰ Knorr, Klaus, “Power and Wealth: The Political Economy of International Power” (New York: Basic Books Inc., 1973): 120.

like this and may cause preemptive strikes on behalf of the dependent nation in order to prevent being taken advantage of. Conflict in a situation like this becomes highly plausible and cooperation seemingly not worth the risks to the state's security.

Russia and China are currently entering into an economic partnership that does not make sense from a realist perspective. Why would these two nations do exactly what realism says not to do? Are these nations overlooking the possibility of insecurity that comes from such a partnership? Do both nations believe they are the dominant party of the cooperation and believe they will be the relative winner? That is, does one or the other (or both) believe that it is fostering an asymmetric interdependent relationship, by which it will gain a power advantage over its partner?

Case Studies

China's BRI, an "ambitious effort to improve regional cooperation and connectivity on a trans-continental scale," has been on the main stage of international relations since its inception in 2013.³¹ Chinese President Xi Jinping seeks to reinvigorate the trading routes of ancient pasts in what is often referred to as the New Silk Road.³² Russia, China's second longest land border, has already begun working with China to benefit from the BRI. It is the one of the world's largest producers of crude oil, as well as the second largest producer of dry natural gas, with oil and natural gas revenues making up more than one-third of the federal budget revenues.³³ The energy sector, a large component of both economies, is where much of the economic interdependence between the two nations resides. Linking some of both countries' largest energy companies, the BRI has brought together mutual dependence in the energy sector in things such as pipelines, power plants, ports, roads and railways.

The Power of Siberia Pipeline

The Power of Siberia Pipeline is a current joint project between Russia and China, aiming to be "the largest transmission system in Russia's East".³⁴ In May 2014, one of China's state-owned enterprises, China National Petroleum Corporation (CNPC), and Russia's largest company, Gazprom, signed a Sales and Purchase Agreement for over one trillion cubic meters of gas to be supplied along the Eastern route of this newly constructed pipeline.³⁵ The deal is a 30-

³¹ Belt and Road Initiative. (2018, March 29). Retrieved from <http://www.worldbank.org/en/topic/regional-integration/brief/belt-and-road-initiative#01>

³² Chatzky, A., & McBride, J. (2019, February 21). China's Massive Belt and Road Initiative. Retrieved from <https://www.cfr.org/backgrounder/chinas-massive-belt-and-road-initiative>

³³ U.S. Energy Information Administration - EIA - Independent Statistics and Analysis. (2017, October 31). Retrieved from <https://www.eia.gov/beta/international/analysis.php?iso=RUS>

³⁴ Power of Siberia. (n.d.). Retrieved from <http://www.gazprom.com/projects/power-of-siberia/>

³⁵ Alexey Miller: Russia and China signed the biggest contract in the entire history of Gazprom. (2014, May 21). Retrieved from <http://www.gazprom.com/press/news/2014/may/article191451/>

year contract in which Russian natural gas will be delivered through the pipe, illustrated in Figure 2, at 38 billion cubic meters per year.³⁶

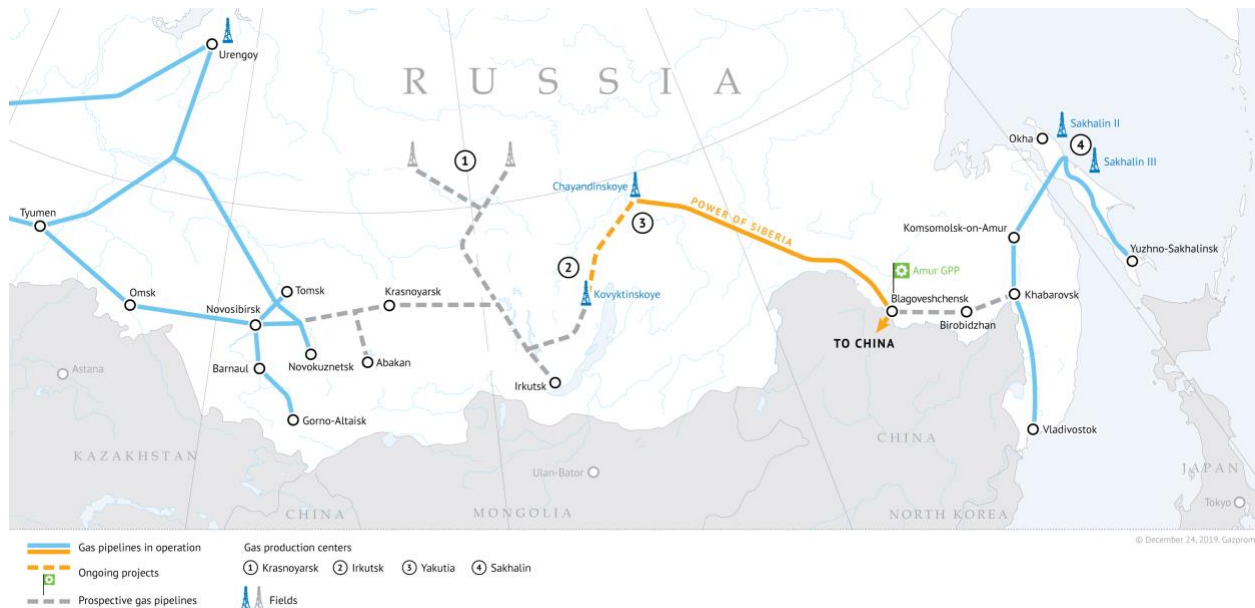


Figure 2: Map of the Power of Siberia Pipeline (Orange).³⁷

Construction began in late 2014, focusing first on the 2,200 km portion that goes from the Russian Republic of Sakha (also known as Yakutia) to the Chinese border.³⁸ The second phase, an 800 km section running from the Siberian city of Irkutsk to Yakutia, would later begin construction. Gazprom states the intended purpose of the pipeline is to “transport gas from the Irkutsk and Yakutia gas production centers to consumers in Russia’s Far East and China.”³⁹ It is also intended to bolster the “social and economic development of Russia’s Far East” as well as facilitate “advancement of state-of-the-art gas processing and petroleum facilities” in Eastern Russia.⁴⁰ After a meeting between Alexey Miller, Chairman of the Gazprom Management

³⁶ Ibid.

³⁷ Power of Siberia. (n.d.). Retrieved from <http://www.gazprom.com/projects/power-of-siberia/>

³⁸ Ibid.

³⁹ Ibid.

⁴⁰ Ibid.

Committee, and Wang Yilin, Chairman of the Board of Directors of CNPC, in late April 2019, the pipeline was nearing completion and looking to have a December 1, 2019 start date for injecting natural gas in the pipe on the route to China.⁴¹ On December 2, 2019 the pipeline was up and running “launching the first-ever pipeline supplies of Russian gas to China.”⁴²

At a 2016 meeting in St. Petersburg, Gazprom, CNPC, and the China Development Bank Corporation formally agreed to deepen cooperation between the two countries in the energy sector. Alexey Miller stated that “Russian-Chinese cooperation in the gas sector continues to expand and the dynamic is encouraging... The agreements mark an important stage in the evolving relationship between Gazprom and Chinese companies as part of joint energy projects.”⁴³

The current trend shown by the Power of Siberia Pipeline is towards further cooperation between the two countries. This deal was one of the first examples of tangible infrastructure aligned with China’s BRI plans. This pipeline exhibits mutual dependence on both sides. In Russia, 3,000 km of pipelines are being laid not only for the benefit of the Russian Far East but also economically as the 30-year plan calls for 38 billion cubic meters per year of gas to be delivered to China. Gazprom states that with two more supply projects on the horizon, it can become the number one gas exporter in the Chinese market by 2035.⁴⁴ The Chinese seek to gain another source of natural gas to provide for their immense energy needs as well as a seemingly new energy partner.

⁴¹ Gazprom and CNPC discuss pipeline gas supplies to China. (2019, April 25). Retrieved from <http://www.gazprom.com/press/news/2019/april/article478797/>

⁴² Power of Siberia. (2019, December 2). Retrieved from <http://www.gazpromexport.ru/en/projects/3/>

⁴³ Gazprom and Chinese companies sign agreements for wider energy cooperation. (2016, November 7). Retrieved from <http://www.gazprom.com/press/news/2016/november/article291129/>

⁴⁴ Miller, A. (2019, April 28). Alexey Miller's column. Retrieved from <http://www.gazprom.com/press/news/miller-journal/>

Although current relations between Russia and China in the energy sector appear to be trending upward, this does not mean that the concept of anarchy no longer applies to this partnership. Because of the anarchic world in which states exist, great powers tend to fear and distrust other great powers (especially neighboring ones with a history of enmity), raising the possibility of conflict between mutually dependent partners.⁴⁵ Why are Russia and China embarking on these vast infrastructure projects between their largest state-run energy corporations if there is such a vulnerability risk under anarchy?

Yamal Liquefied Natural Gas Plant

The Yamal Liquefied Natural Gas Plant (Yamal LNG) expands Sino-Russian cooperation in the energy field to Northern Russia along the Arctic Ocean seen in Figure 3. The project entails natural gas production, in addition to liquefaction and shipping.⁴⁶ The Yamal Peninsula is a “prolific gas basin” and is “well placed to become the center of gas supplies to both the West and to the East,” especially to China.⁴⁷ The plan consists of constructing a liquefied natural gas plant with the capacity of 16.5 million tons per year, as well as transportation infrastructure, including a sea port to export the gas and an airport.⁴⁸ It is a joint venture between the private Russian company Novatek (50.1%), Russia’s second largest natural gas producer, Total (20%), China National Petroleum Corporation (CNPC) (20%), and the Silk Road Fund (9.9%).⁴⁹ It was a three phase project, with each phase beginning in 2017, 2018, and 2019 respectively and with the end goal of producing 16.5 million tons per annum (MTPA) of LNG and 1.2 MTPA of gas

⁴⁵ Grieco, Joseph M. "Anarchy and the Limits of Cooperation: A Realist Critique of the Newest Liberal Institutionalism." *International Organization* 42, no. 3 (1988): 498.

⁴⁶ Yamal LNG. (2015). Retrieved from <http://yamallng.ru/en/>

⁴⁷ Alexey Miller's column. (n.d.). Retrieved from <http://www.gazprom.com/press/>

⁴⁸ Yamal LNG. (2015). Retrieved from <http://yamallng.ru/en/>

⁴⁹ Ibid.

condensate to Asian and European markets.⁵⁰ As of February 2019, the plant has already shipped out over 100 cargoes and 10 million tons of LNG since the start of the project in December of 2017.⁵¹ While Novatek is a privately owned corporation, the Russian government does have a stake in the project. The Sabetta Port, a key component of exporting the LNG produced at Yamal LNG, cost approximately 75 billion rubles (\$1.1 billion), of which the Russian government supplied roughly 49 billion rubles (\$750 million).⁵²

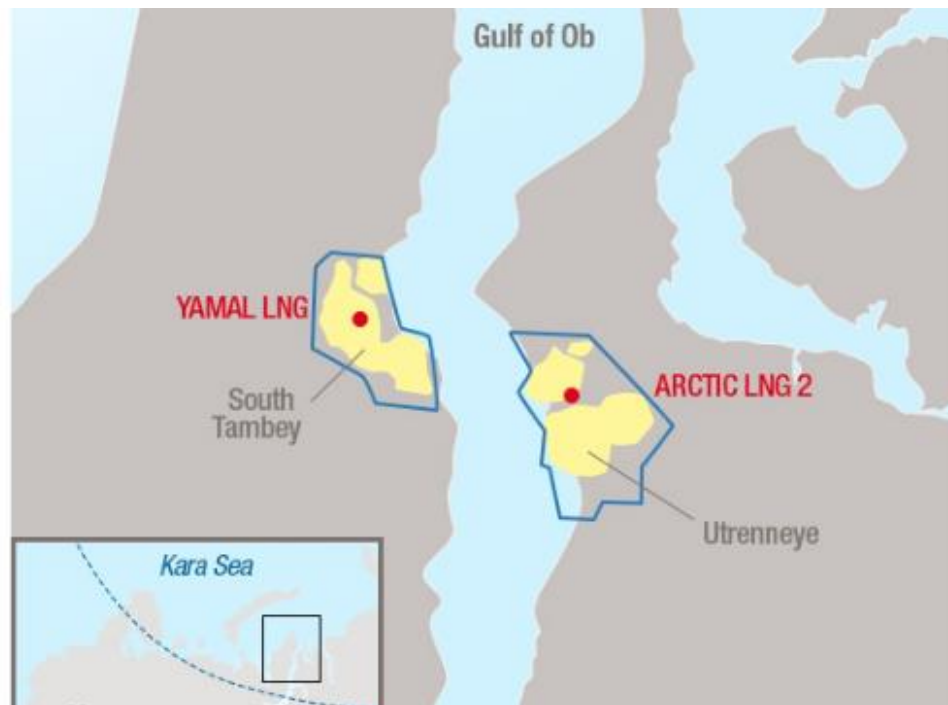


Figure 3: The location of the Yamal LNG and proposed Arctic LNG 2 along the Arctic Circle.⁵³

The beginning phases of the Yamal LNG project had Novatek covering 80% of the costs and Total, a French company, 20% of the costs.⁵⁴ CNPC bought the roughly 20% stake in the

⁵⁰ Ibid.

⁵¹ Yamal LNG Shipped Ten Million Tons. (2019, February 4). Retrieved from <http://yamallng.ru/en/press/news/37035/>

⁵² Pettersen, T. (2013, April 17). Construction of Sabetta port to start this summer. Retrieved from <https://barentsobserver.com/en/energy/2013/04/construction-sabetta-port-start-summer-17-04>

⁵³ FID Taken on Arctic LNG 2 Project. (2019, September 8). Retrieved from <https://www.maritime-executive.com/article/fid-taken-on-arctic-lng-2-project>

⁵⁴ Ibid.

project in late 2013 after a deal was made “along the sidelines of the G-20 Summit in St. Petersburg.”⁵⁵ With the deal, they pledged to purchase 3 million metric tons per year of LNG from the plant and have held up their end of the deal.⁵⁶

In conjunction with Yamal LNG, plans for a second plant, Arctic LNG 2, which can be seen in Figure 3, are in the works. Novatek sold a 20% stake in the new project to China National Oil and Gas Exploration and Development Corporation, a subsidiary of CNPC, and China National Offshore Oil Corporation at the 2019 One Belt, One Road forum in Beijing.⁵⁷ Novatek’s CEO predicts that Arctic LNG 2 “will be a game changer in the global gas market” especially as “China represents one of the key consumption markets for our LNG sales.”⁵⁸ The head of China’s National Energy Administration, Zhang Jianhua, emphasized the deepening in cooperation in the field of energy in the past six years since the BRI was first proposed.⁵⁹ The BRI, and its energy projects have helped to achieve “good economic and social benefits to people in all countries and regions involved” Zhang explained.⁶⁰

The BRI has been integral in CNPC’s decision to undergo the construction projects with Russia in both the Arctic and the Far East. China’s vision of a linked “one belt, one road” of trade interconnectivities is driving most of the current projects seen today. The Yamal LNG most definitely will benefit China. As it takes the country one step further down the path of economic partnership with Russia, the Yamal LNG provides China with, yet another sorely needed energy

⁵⁵ Bierman, S., & Arkhipov, I. (2013, September 5). CNPC Buys Stake in Novatek’s Yamal LNG Project in Russian Arctic. Retrieved from <https://www.bloomberg.com/news/articles/2013-09-05/cnpc-buys-stake-in-novatek-s-yamal-lng-project-in-russian-arctic>

⁵⁶ Xin, Z. (2019, April 30). Oil majors expand alliances and investments in Belt, Road economies. Retrieved from <http://global.chinadaily.com.cn/a/201904/30/WS5cc78a7da3104842260b9332.html>

⁵⁷ Astrasheuskaya, N. (2019, April 25). Russia’s Novatek to sell stake in Arctic gas project to Chinese partners. Retrieved from <https://www.ft.com/content/f7c32864-676a-11e9-9adc-98bf1d35a056>

⁵⁸ Xin, Z. (2019, April 30). Oil majors expand alliances and investments in Belt, Road economies. Retrieved from <http://global.chinadaily.com.cn/a/201904/30/WS5cc78a7da3104842260b9332.html>

⁵⁹ Ibid.

⁶⁰ Ibid.

source—fulfilling a key goal of the BRI. For its part, Russia benefits through continued partnerships with China in two of its largest energy companies, Gazprom and Novatek. As these projects continue to grow and expand, however, Sino-Russian relations become more interdependent and, therefore, more exposed to potential dangers.

Failed Rosneft - CEFC Deal

In September 2017, Russia's Rosneft and China's CEFC China Energy decided to engage in a purchase, with CEFC buying \$9.1 billion or roughly 14.3% of Rosneft from Qatar Investment Authority.⁶¹ The CEFC was seemingly “following the Belt and Road playbook of investing in locations that are strategically significant for the Chinese state” in its bid to buy such a large portion of Russia's second largest state controlled company.⁶² In addition, Rosneft pledged to provide 61 million tons of oil over 5 years to CEFC.⁶³ The deal, although promising, fell through in the latter half of 2018. Founder and Chairman of CEFC, Ye Jianming, was placed under investigation by Chinese authorities over probable economic crimes.⁶⁴ The failure of the purchase saw CEFC losing out on \$257 billion which the company paid to the Qatar Investment Authority.⁶⁵ As the investigation into Ye Jianming's crimes continued, significant attention was placed on the debts gathered by the company, especially as Russia's state owned VTB Bank offered financial assistance.⁶⁶ Although one analyst claims “Rosneft's geopolitical machinations

⁶¹ Wei, H. (2018, November 21). Failed Rosneft Deal Costs CEFC China a Quarter-Billion. Retrieved from <https://www.caixinglobal.com/2018-11-21/failed-rosneft-deal-costs-cefc-china-a-quarter-billion-101350092.html>

⁶² Hess, M. (2018, May 16). China Has Decided Russia Is Too Risky an Investment. Retrieved from <https://foreignpolicy.com/2018/05/16/china-has-decided-russia-is-too-risky-an-investment/>

⁶³ Soldatkin, V., Tan, F., & Yagova, O. (2019, January 22). Rosneft switches dealing to Singapore arm of China's CEFC, no... Retrieved from <https://www.reuters.com/article/rosneft-china-oil/rosneft-switches-dealing-to-singapore-arm-of-chinas-cefc-no-change-in-oil-volumes-idUSL8N1ZM271>

⁶⁴ Wei, H. (2018, November 21). Failed Rosneft Deal Costs CEFC China a Quarter-Billion. Retrieved from <https://www.caixinglobal.com/2018-11-21/failed-rosneft-deal-costs-cefc-china-a-quarter-billion-101350092.html>

⁶⁵ Ibid.

⁶⁶ Hess, M. (2018, May 16). China Has Decided Russia Is Too Risky an Investment. Retrieved from <https://foreignpolicy.com/2018/05/16/china-has-decided-russia-is-too-risky-an-investment/>

ultimately are to blame for the CEFC deal's collapse" and that "Beijing has come to view Rosneft as more a tool of the Russian State...it seems to have decided the Russian government is too risky a political investment", the cooperation between Rosneft and CEFC persists despite the collapse of the deal.⁶⁷

A January 2019 announcement from Rosneft explained that the company is planning on shifting its obligations from the "China-based CEFC to the CEFC arm in Singapore."⁶⁸ Rosneft is continuing to demonstrate its willingness to cooperate with CEFC despite previous setbacks and the failure of the deal in early 2018. This shift keeps Rosneft in the minds of CEFC, however, does not signify a new or deepened development between the two.

As both countries are still feeling the effects of the failure of the deal, some claim the most recent move in the Arctic "is leading to little other than continued interest in energy imports."⁶⁹ Simply put, China needs natural gas and oil to maintain its large population. Their main focus in these economic deals is getting as much as they possibly can. It seems China enters into these deals with a focus on defensive positionality: a situation in which China knows it will comparatively gain more.⁷⁰ China is positioned to gain without risking a lot in these deals. Money and natural gas are at stake but a turn in China's relationship with Russia would not necessarily harm China. It can maintain itself with or without Russian assistance, as it has many other economic partners. This potentially explains why China accepts a state of mutual dependence with its great-power neighbor. Russia, on the other hand, must also think it is

⁶⁷ Ibid.

⁶⁸ Soldatkin, V., Tan, F., & Yagova, O. (2019, January 22). Rosneft switches dealing to Singapore arm of China's CEFC, no... Retrieved from <https://www.reuters.com/article/rosneft-china-oil/rosneft-switches-dealing-to-singapore-arm-of-chinas-cefc-no-change-in-oil-volumes-idUSL8N1ZM27I>

⁶⁹ Trickett, N. (2019, May 01). Putin in Beijing: What Drives China-Russia Relations? Retrieved from <https://thediplomat.com/2019/05/putin-in-beijing-what-drives-china-russia-relations/>

⁷⁰ Grieco, Joseph M. "Anarchy and the Limits of Cooperation: A Realist Critique of the Newest Liberal Institutionalism." *International Organization* 42, no. 3 (1988): 499.

gaining more than China. Russia's state-owned gas corporations are benefiting from unprecedented Chinese investment in their companies. Moreover, both the Power of Siberia Pipeline and the Yamal LNG plant are on Russian soil. If relations with China eventually deteriorate, Russia still maintains physical control of these infrastructural assets. In short, the question is one of relative gains: both countries seem to believe that they are benefitting comparatively more than the other—that the “asymmetric interdependent” relationship benefits them. So which country is actually the loser and which the winner in these economic deals? Obviously one of them is guessing wrong. Or are they?

Why Cooperation?

At the Second Russian-Chinese Energy Business Forum in St. Petersburg in June 2019, Putin said “I would like to emphasize, though you know this anyway, that energy is one of the key, most dynamically developing areas of Russian-Chinese cooperation.”⁷¹ A few days prior to the forum and Xi Jinping’s seventh visit to Russia since the beginning of his presidency, the President of the People’s Republic of China stated, “cooperation has been deepening in recent years, producing fruitful outcomes and setting a prime example of mutually beneficial economic engagement.”⁷² Over the past few years, and more recently months, both leaders have clearly proclaimed the significance of the strategic partnership they share with one another. As bilateral trade between the two countries reached a record US\$100 billion in 2018, it is even more valuable to look into their motivations for such cooperation.⁷³

Both countries have similar reasons to invoke such a partnership with one another, as well as differences in their potential incentives for the economic agreements. First, as the United States continues to lay sanctions on Russia and prolong the current trade war with China, both countries could be balancing against the US and the economic aggression it has been practicing. As Stephen Walt’s Balance of Threat Theory stated in 1985, which still holds true to today, the United States has “acted in ways that give them [Russia and China] few incentives to cooperate with us, and many reasons not to.”⁷⁴ Second, partnership may help further each country’s respective political agenda internationally. “Russia will work to gain more room for fair and democratic trading rules” and said both Moscow and Beijing “oppose unilateralism,

⁷¹ Meeting with participants of Second Russian-Chinese Energy Business Forum (2019, June 7). Retrieved from <http://en.kremlin.ru/events/president/news/60706>

⁷² Written Interview by H.E. Xi Jinping President of the People's Republic of China With Mainstream Russian Media Organizations (2019, June 5). Retrieved from <http://id.china-embassy.org/eng/xwdt/t1669855.htm>

⁷³ Ibid.

⁷⁴ Walt, S., “Alliance Formation and the Balance of World Power” *International Security* 9, no. 4 (1985):26.

protectionism and bullying practices.”⁷⁵ Together they make claims that they are promoting “democratic ideals” in a way that delegitimizes US by claiming that the US is not doing these things. As well, by supporting one another on the international stage, for example at the United Nations, they forge a relationship that transcends economic cooperation and promotes their common views worldwide.⁷⁶

In addition to shared benefits, both Russia and China have their own interests and gains through this mutual partnership. Russia’s Foreign Direct Investment (FDI) dropped from \$22 billion in 2014 to \$8.8 billion in 2018 with the trend continuing downward.⁷⁷ Putin wants to “catch the Chinese wind in our economic sail” and see more FDI and capital coming into the Russian economy through China and this partnership may be the way to do just that.⁷⁸ Additionally, Russia wants to reap the benefits from the resources sitting along the Arctic. The estimated resources of just the surface of the Russian Arctic are currently at 5-10 billion tons of oil equivalent and Russia has just begun their development of the region.⁷⁹ Chinese financial assistance in the area could allow Russia to unlock opportunities sitting below the ice. Another motive to consider is the position of the Russians to benefit from the future of the Belt and Road Initiative (BRI). China’s BRI needs resources and energy to connect to Europe and beyond. Russia can provide natural gas, oil, and nuclear energy to the project. Through the Polar Silk

⁷⁵ O’Connor, T. (2019, June 12). Donald Trump’s Trade Wars are Bringing Russia and China Together, Making it Easier for them to Challenge U.S. Retrieved from <https://www.newsweek.com/donald-trump-trade-war-russia-china-1443621>

⁷⁶ Trenin, D. (2012). *True Partners? How Russia and China see each other*. Retrieved from Centre for European Reforms’ website: <https://www.cer.eu/publications/archive/report/2012/true-partners-how-russia-and-china-see-each-other>

⁷⁷ Trickett, N. (2019, July 9). Russia’s FDI Outlook Grim, with No Chinese Rescue in Sight. Retrieved from <https://www.russiamatters.org/analysis/russias-fdi-outlook-grim-no-chinese-rescue-sight>

⁷⁸ Bhadrakumar, M. (2013). Same Bed, Similar Dreams: The Vistas of China-Russia Partnership. *Economic and Political Weekly*, 48(19), 22. Retrieved from <http://www.jstor.org/stable/23527336>

⁷⁹ Second Russian-Chinese Energy Business Forum Opens in Saint Petersburg (2019, June 6). Retrieved from <https://www.rosneft.com/press/today/item/195517/>

Road project, Russia holds the access to an Arctic path to Europe from China. If the BRI pans out the way the Chinese expect, Russia could be rewarded for its involvement in the project in the future.

China also has its own interests in developing a relationship with Russia.

First, China, the second largest economy in the world, has a dire need for energy to meet its domestic demands. The oil and gas deals with Russia help China to gain alternative energy sources via a direct line from Russia to China. Sharing a border cuts down on the need for high international transportation costs or third-party involvement.

Second, China has a reciprocal need for Russia in the BRI. One of the most straightforward routes to Europe would be directly through Russia or around the Arctic. China improves relations between the two countries to make sure that the BRI plans continue to move forward.

Third, building a good relationship with Russia allows China access to Central Asia. One of China's central policy goals is "developing new markets for advanced Chinese technology" and Central Asia is a region yet to be deeply explored.⁸⁰ Engaging with Russia through the Eurasian Economic Union and the Shanghai Cooperation Organization, China has stepped into fostering regional power on its behalf. China and Central Asia have increased connectivity economically through trade deals, loans, and crediting and China wants to keep its influence high in the region; by increasing ties with Russia, China is able to accomplish that.⁸¹

⁸⁰ Araya, D. (2019, January 14). China's Grand Strategy. Retrieved from <https://www.forbes.com/sites/danielaraya/2019/01/14/chinas-grand-strategy/#5d9c02791f18>

⁸¹ Kocamaz, S. (2019). The Rise of New Powers in World Politics: Russia, China and the Shanghai Cooperation Organization. *Uluslararası İlişkiler / International Relations*, 16(61), 128. Retrieved from <https://www.jstor.org/stable/26621220>

Despite the notion that realism would not accept this dependent behavior, Russia actually may be acting in a realist manner while China continues liberal actions. In the context of time horizons, by focusing on short term FDI and untapped polar region benefits, Russia seeks capital in order to secure a place in the international order. China, with a long-term focus, pursues a liberal course of action, looking to gain access to markets for future gain and success.

Win-Win Cooperation

Balancing US Hegemony

During his annual phone-in with the Russian public, President Vladimir Putin expressed his belief that “US trade tariffs and sanctions are aimed at holding back Russia and China.”⁸² Beginning with the 2014 Russian invasion of Crimea, sanctions have grown against Russia. More sanctions placed in 2018 and early 2019 have made a negative impact on current US-Russia relations. The ongoing tariffs and trade war introduced by President Donald Trump against China have also negatively impacted US-China relations. Both Russia and China have been slighted by the US and are seeking to balance against the threat the US poses to them.

Realist Stephen Walt claims that “states that appear aggressive are likely to provoke others to balance against them.”⁸³ Russia and China have taken their economic business elsewhere as they view the threat of the US as a potential impediment to growth and strength in the future. China has lowered its crude oil intake from the US, with the first seven months of 2019 seeing a decrease in imports by 63% compared to the year prior.⁸⁴ Russia becomes a great

⁸² Ellyatt, H. (2019, June 20). Putin says US tariffs are designed to hold back China’s rise. Retrieved from <https://www.cnbc.com/2019/06/20/putin-says-us-tariffs-are-designed-to-hold-back-chinas-rise.html>

⁸³ Walt, S., “Alliance Formation and the Balance of World Power” *International Security* 9, no. 4 (1985):12.

⁸⁴ Factbox: China’s tariffs on U.S. commodities and energy. (2019, August 26). Retrieved from <https://www.reuters.com/article/us-usa-trade-china-commoditiestariffs-fa/factbox-chinas-tariffs-on-u-s-commodities-and-energy-idUSKCN1VG158>

option for the Chinese as it continues to increase energy imports over the border and to expand pipeline and LNG projects. Especially as Russia-Chinese relations are at a peak, it seems like a beneficial opportunity to partner with another economic enemy of the US in a counterbalancing effect. If relations with the US continue to be tense with these countries, it is likely they will lean on one another for support. In the political climate of today, Russia and China make the case that “because intentions can change and perceptions are unreliable, it is safer to balance against potential threats than to hope that strong states will remain benevolent.”⁸⁵ If the main motivation of this partnership is balancing against the US, one could argue that they are acting in a realist manner. As they are concerned about their safety and security, balancing is a realist act to protect themselves. However, both Russia and China have many other motivations for an alliance that potentially outweigh the reason of balancing against the US.

International Political Partners

Additionally, this liaison between Russia and China is motivated by their desires to push their agendas on the international stage. Building their relationship on a firm economic foundation allows them to explore other avenues of partnership such as ideological support and backing as they go against Western norms. Chinese Foreign Ministry spokesperson Geng Shuang explained that both countries “agree to further and deepen comprehensive strategic coordination and continue to work together to build an open world economy, uphold the multilateral trading system and safeguard the international system.”⁸⁶ Both are working towards sculpting the world into their own view of how the international stage should be set. Making such claims that they are the ones safeguarding the international system undermines and delegitimizes US rule

⁸⁵ Walt, S., “Alliance Formation and the Balance of World Power” *International Security* 9, no. 4 (1985): 15.

⁸⁶ O'Connor, T. (2019, June 12). Donald Trump's Trade Wars are Bringing Russia and China Together, Making it Easier for them to Challenge U.S. Retrieved from <https://www.newsweek.com/donald-trump-trade-war-russia-china-1443621>

completely. Russia and China are in alignment to defend their own political principles and in this case, the goal of delegitimizing the US as a global hegemon; protecting and partnering with a similar state must be considered a good act for a country.⁸⁷ Xi Jinping states they will also “resolutely back each other’s core interests in protecting their sovereignty, territorial integrity and security,” key points that both Russia and China are emphasizing in international forums such as the UN.⁸⁸ Having an ally on the UN Security Council with a shared focus in values allows both countries to feel more secure in international mediums, where they are often outweighed by Western countries’ actions. China benefits by “avoiding direct spats with its most important trading partners—the United States and Europe—by allowing Russia to take the lead on contentious global issues.”⁸⁹ With a positive relationship between the two, the support they give one another may prove to be very beneficial as they continue to push their ideas to the West and gain support in Africa and other parts of Asia and South America.

Russia Wins

Russia’s FDI Crisis

Doing business in Russia has some major issues as regulations and laws, or lack thereof, make foreign companies fear the business climate in Russia. The 2014 FDI in Russia was \$22 billion before decreasing by \$13.2 billion to \$8.8 billion in 2018.⁹⁰ Russia needs to make a change fast to prevent an internal economic collapse and has found a light in China. Through

⁸⁷ Walt, S., “Alliance Formation and the Balance of World Power” *International Security* 9, no. 4 (1985): 20.

⁸⁸ Bhadrakumar, M. (2013). Same Bed, Similar Dreams: The Vistas of China-Russia Partnership. *Economic and Political Weekly*, 48(19), 23. Retrieved from <http://www.jstor.org/stable/23527336>

⁸⁹ Stronski, P., & NG, N. *Competition and Cooperation: Russia and China in Central Asia, the Russian Far East and the Arctic*. Carnegie Endowment for International Peace. <https://carnegieendowment.org/2018/02/28/cooperation-and-competition-russia-and-%20china-in-central-asia-russian-far-east-and-arctic-pub-75673>

⁹⁰ Trickett, N. (2019, July 9). Russia’s FDI Outlook Grim, with No Chinese Rescue in Sight. Retrieved from <https://www.russiamatters.org/analysis/russias-fdi-outlook-grim-no-chinese-rescue-sight>

constant deals and agreements signed between the countries, FDI may increase again with China's assistance. Their partnership has led to Russia making some changes in their business environment to ensure further trade between the two countries. At the Second Russian-Chinese Energy Business Forum, the focus was developing "standard and transparent rules of doing business" in Russia to "improve the investment environment."⁹¹ Russia seems to be working towards a stable business environment to make up the large FDI decrease it has seen in the past few years. Working with China on that specifically benefits both parties as China gets a say in how to best develop standards to support its businesses. Russia on the other hand, gains not only an improved business climate but also deeper investment from the Chinese. The more joint projects undertaken by the two countries, the more we are likely to see FDI in Russia steadily rise. The first half of 2019 did see a large spike in FDI to roughly \$11.6 billion and although the source is not clear, it could potentially be the impact of the new deals with China.⁹² Although China may help develop FDI in Russia, it is not going to be the sole savior of Russian FDI. The impact China has made in FDI in Russia can be equated to only a dent so far but that does not mean it will not increase. As well, Chinese assistance in developing a more solid investment climate in Russia will benefit Russia greatly as it looks to other countries to reinvest in their goods.

⁹¹ Second Russian-Chinese Energy Business Forum Opens in Saint Petersburg (2019, June 6). Retrieved from <https://www.rosneft.com/press/today/item/195517/>

⁹² Trickett, N. (2019, July 9). Russia's FDI Outlook Grim, with No Chinese Rescue in Sight. Retrieved from <https://www.russiamatters.org/analysis/russias-fdi-outlook-grim-no-chinese-rescue-sight>

Access to the Resources in the Russian Arctic

Russia has its sights set on a full-scale development of the Russian Arctic region seen in Figure 4. Holding roughly 5-10 billion tons of oil under the surface, Russia seeks to benefit as much as possible from the resources it has within its land mass.⁹³



Figure 4: Map illustrating Russian energy facilities and reserves along the Arctic Circle (2012).⁹⁴

One of Russia's largest energy companies, Rosneft, is working to capitalize on the energy available in the region through the creation of an "Arctic cluster" to become a "development

⁹³ Second Russian-Chinese Energy Business Forum Opens in Saint Petersburg (2019, June 6). Retrieved from <https://www.rosneft.com/press/today/item/195517/>

⁹⁴ Appleton, S. (2015, February 6). *Finding common ground in the Arctic*. International Bar Association. <https://www.ibanet.org/Article/NewDetail.aspx?ArticleUid=cbbf100f-fb31-425d-a1c7-51886e01ecf4>

driver” in the area.⁹⁵ As a country lacking FDI, the Arctic could be one arena the Russian’s may attract foreign investors. China has already begun to assist in the Yamal LNG project, building a natural gas hub along the resource rich Yamal Peninsula. With Chinese help, Russia may have enough financial assistance to open up the Arctic region and tap into the oil and natural gas under the surface. Russians will gain jobs from the opening up of the Arctic region and Russia will increase revenue through the selling of natural resources. As well, new partnerships in the energy sector may lie ahead for a Russia with additional natural gas and oil reserves in the north. China, in dire need of energy, will acquire more oil and natural gas to supplement their large domestic need and will continue to invest in the Arctic projects to reap the benefits. In the long term this project could see prosperity for Russia and with Chinese assistance, the results may come to fruition a lot earlier than expected. The potential for this region is tremendous for Russia to take advantage of.

Russia Benefitting from Involvement in the BRI

China’s plans for the BRI have been laid out for roughly five years now and the Russians see the potential for a highly successful international trade enterprise. With that, it is possible that improved relations, despite their historically stagnant partnership, may be as a result of Russia wanting to ensure it benefits from the success of the BRI. The BRI aims to connect Central Asia and even further Europe, Africa, and Latin America to create a large international trade network with China. The BRI, if as successful as China predicts, would place China even closer to the top of the economic pyramid. Russia, like any smart country in this situation, wants to be a part of the potential success of their neighbor. Through regional organizations, such as the Shanghai Cooperation Organization, Russia is “attempting to leverage itself onto the global stage

⁹⁵ Ibid.

and be seen as a global power.”⁹⁶ The BRI would be another way for Russia to make a name for itself and build up its economic and global power. Despite the possibility of an unsuccessful BRI, Russia would still benefit through working with China. Through the numerous planned energy projects and partnerships, Russia will enjoy benefits of these projects even if the BRI goes under. Although the mutual dependency between Russia and China seemed to be solely to build up the BRI, that does not mean that Russia will not still be better off than it was before.

China Wins

China's Domestic Energy Needs

China also benefits from the Russian partnership in different ways. One of such ways is through energy deals providing for its large domestic need. With the largest population in the world, China needs energy at an exponential rate that shows no sign of ceasing. Since 1993, domestic energy production has failed to meet its needs.⁹⁷ Russia provides China with more direct access to energy that will add to the diversified sources from which China gets its energy. As Russia fills this role, it becomes a “key source” and partner of China's.⁹⁸ Benefitting greatly from additional sources of energy, China's participation in this dependency seems practical. China is willing to take a gamble on cooperation with Russia mainly due to the urgent need it faces at home. Russia sharing a border with China makes it a straightforward task for the Chinese and Russians to build pipelines and direct routes for natural gas and oil to cross the

⁹⁶ Kocamaz, S. (2019). The Rise of New Powers in World Politics: Russia, China and the Shanghai Cooperation Organization. *Uluslararası İlişkiler / International Relations*, 16(61), 131. Retrieved from <https://www.jstor.org/stable/26621220>

⁹⁷ Kocamaz, S. (2019). The Rise of New Powers in World Politics: Russia, China and the Shanghai Cooperation Organization. *Uluslararası İlişkiler / International Relations*, 16(61), 135. Retrieved from <https://www.jstor.org/stable/26621220>

⁹⁸ O'Connor, T. (2019, June 12). Donald Trump's Trade Wars are Bringing Russia and China Together, Making it Easier for them to Challenge U.S. Retrieved from <https://www.newsweek.com/donald-trump-trade-war-russia-china-1443621>

border. It is the easiest way for China to get resources fast and nearby. Russia and China also continue to seek out nuclear opportunities, which may be a potentially prosperous option for the two. Acting against realism, China becomes vulnerable to Russia. Investing finance and infrastructure in the Russian side of the energy deals does pose a risk if the relationship sours, however, at this current time, China takes the risk in order to provide for its people. The benefits outweigh the costs in a successful deal and while some deals have failed to go through, such as the failed 2018 Rosneft – CEFC deal, the agreements Russia and China have been able to accomplish obviously benefit both sides in a sufficient manner. At this time, China probably sees itself benefiting greater than Russia and with such a dire short-term need, China could be arguable acting in a realist manner, protecting itself from a lack of energy necessary to sustain its people. As China continues to face a growing population with increasing needs, the Chinese will turn to their close neighbor, Russia, for energy assistance, as long the relationship continues to please both parties.

China's Need for Russia in the BRI

In addition to Russia benefitting from the BRI, China also needs Russia's assistance to complete the BRI in full capacity. In many ways, a Russian partnership puts China in the place it desires to be in to create its global economic network through the BRI. Routes to Europe by land and by sea have been explored by China for the BRI. Russia stands directly in between China and a direct polar ocean route around the Arctic to Europe. The Northeast Passage [the sea route] will make travel between East Asia to Europe 25% faster and 15% cheaper.⁹⁹ Russian territory lines the majority of the passage and in case of emergency along the shipping route, the Chinese

⁹⁹ Second Russian-Chinese Energy Business Forum Opens in Saint Petersburg (2019, June 6). Retrieved from <https://www.rosneft.com/press/today/item/195517/>

would need Russian assistance. Cooperating on the sea front allows China to have an ally and supporter of its seafaring endeavors. Opening up another route to Europe also allows China to share its good faster and easier with the world, making it even more of a competitor in the global economy. China seeks to develop new markets for technology and through the BRI and a strategic partnership with Russia, allowing it to make use of the Arctic, it is headed in the right direction for its grand strategy.¹⁰⁰ Additionally, Russia and China are working together to change the global economy to be more conducive to their needs and goals. They see the current international situation as not sustainable with “sharp shifts to be seen” and believe it is of “significant importance... to jointly secure the energy safety and to create an open global economy.”¹⁰¹ With the US dominating the world economy and using taxes and tariffs as a way to combat competition, both Russia and China seek to change that for their own benefit. For the BRI to be successful, China will need an open global economy, one in which countries are free to trade and do business with China without any repercussions. China teams up with Russia in order to have a large ally to push for the international economy that it wants.

China in Central Asia

Through the Eurasian Economic Union (EEU) and the Shanghai Cooperation Organization (SCO), Russia and China have been working together with Central Asia in the fields of security and economics. These organizations, that have been around for 5 and 20 years respectively, have brought China into a leading role in Central Asia. Historically, Russia has been the dominant player in Central Asia, as a few of the countries have been a part of the Soviet Union, but China has emerged as a top investor in the region. Xi Jinping even stated that he

¹⁰⁰ Araya, D. (2019, January 14). China's Grand Strategy. Retrieved from <https://www.forbes.com/sites/danielaraya/2019/01/14/chinas-grand-strategy/#5d9c02791f18>

¹⁰¹ Second Russian-Chinese Energy Business Forum Opens in Saint Petersburg (2019, June 6). Retrieved from <https://www.rosneft.com/press/today/item/195517/>

wants to “actively push forward their [Russia and China] cooperation to dock the Belt and Road Initiative and the Eurasian Economic Union so as to promote regional economic integration.”¹⁰²

China can gain from this move in many respects.

First, Central Asia has a lot of energy that can contribute to China’s domestic needs and its needs for the BRI. A pipeline already connects an “unhindered supply of Kazakh oil and Turkmen gas to China.”¹⁰³ China intends to expand its “supply chain empire” and reaping benefits from Central Asia is one way it can do this.¹⁰⁴ Using Russia as a partner allows China to get into the heavily Russian dominated region and get a piece of the energy resources stored there. Most of the partnership between China and Central Asia is economic focused and this leads to a deeper dependency between the two that will benefit the BRI.¹⁰⁵ The BRI, with its ambitious cross continental plans, needs the land in Central Asia, in addition to the land in Russia, to be able to connect itself via rails, road, and infrastructure to Europe. Increased economic cooperation places China in a good position for when the time comes to expand the BRI to full capacity.

Second, Central Asia is a key area for China to capitalize for regional dominance. China continues to push itself further inland into Central Asia to assert itself as a regional hegemon. The SCO has often been seen as a practice of “geopolitical balancing behavior” and China is taking advantage of this to gain regional support in balancing against the US.¹⁰⁶ China seems to

¹⁰² China, Russia agree to upgrade relations for new era. (2019, June 6). Retrieved from http://www.xinhuanet.com/english/2019-06/06/c_138119879.htm

¹⁰³ Growing concern: Russia-China partnership throws up formidable challenges for India. (2019, July 31). Retrieved from <https://www.financialexpress.com/defence/grwoung-concern-russia-china-partnership-throws-up-formidable-challenges-for-india/1662113/>

¹⁰⁴ Araya, D. (2019, January 14). China’s Grand Strategy. Retrieved from <https://www.forbes.com/sites/danielaraya/2019/01/14/chinas-grand-strategy/#5d9c02791f18>

¹⁰⁵ Ibid.

¹⁰⁶ Kocamaz, S. (2019). The Rise of New Powers in World Politics: Russia, China and the Shanghai Cooperation Organization. *Uluslararası İlişkiler / International Relations*, 16(61), 129. Retrieved from <https://www.jstor.org/stable/26621220>

want to replace Russia as the go to power for these countries and instead make itself the dominant player. In doing this, it will increase its international and regional standing. If China has the intent to change the global power structure and prefers a multi-polar world, this is one way it is planning to make that happen.

Third, China seeks markets for its products and Central Asia is a close region in which China can expand. As standards of living continue to increase in Central Asia, more people desire, and purchase Chinese made goods. Expanding its market to Central Asia is a step in its plan to extend its entire global market. In general, self-interest plays a vital role in China's motivation in Central Asia and China does not intend to let up on its attempts to increase dependency in Central Asia.

Time Horizons

A core, but often overlooked, factor that explains variations in national goals is the concept of time horizons. David M. Edelstein (2017) explains it this way: "Leaders with short time horizons are focused on the immediate future in a general state of affairs that they do not expect to change dramatically. Leaders with long time horizons are more focused on a world that emerges after some predictable, but not necessarily certain, transformation of the underlying structure within which they operate."¹⁰⁷ He might have added that states that confront dire circumstances, like Europe after the devastation of WWII, must take a short-term view—they need help now. States on an upward trajectory can afford to take a long-term view. Russia and China are operating according to these two different time horizons.

¹⁰⁷ Edelstein, D.M. (2017). *Over the Horizon: Time, Uncertainty, and the Rise of Great Powers*. Ithaca: Cornell University Press. muse.jhu.edu/book/56225

Focused more on the short term, it seems Russia is desperate to regain its international standing and to shore up its financial situation. It wants to be seen, once again, as a player on the European and world stages—and it plans to regain some of that power and international prestige through business ventures and partnerships with China.¹⁰⁸ It is also focusing on short-term finance through trade and investment deals that will secure desperately needed capital. China, in contrast, is taking a long-term view on this partnership. With its current economic health in far better shape than Russia's, China seeks to further its interests by planting seeds now that will grow and come to fruition later. Beijing wants access to Central Asian resources to meet its energy needs for the BRI and to diversify its energy suppliers; Russia can broker these long-term Chinese goals. As the stronger partner, able to adjust to unpredictable exogenous shocks better than most, China enjoys the luxury of formulating and implementing a grand strategy for the long haul. If and when a surprise arises, China has the political and economic capabilities to course-correct. China may be preparing for that day when it has the wherewithal to reform the established world order.¹⁰⁹ Until then, it will continue stockpiling and growing its resources, investments, and partnerships in preparation for the day it overtakes America as the global hegemon.

Thus, while Russia's and China's interests may collide in the long-run, they have complimentary short- and long-term goals, which allow them to bargain and reach cooperative agreements. Their partnership, simply put, has to do with tradeoffs. They have to decide whether

¹⁰⁸ National Security Innovations. (2019, May). *Russian Strategic Intentions* [White Paper]. Retrieved from <https://nsiteam.com/social/wp-content/uploads/2019/05/SMA-TRADOC-Russian-Strategic-Intentions-White-Paper-PDF-1.pdf>

¹⁰⁹ Stronski, P., & NG, N. *Competition and Cooperation: Russia and China in Central Asia, the Russian Far East and the Arctic*. Carnegie Endowment for International Peace. <https://carnegieendowment.org/2018/02/28/cooperation-and-competition-russia-and-%20china-in-central-asia-russian-far-east-and-arctic-pub-75673>

the risks they are taking with one another are worth the potential benefits and gains. In Putin's eyes, "the short-term benefits of cooperation... provide a significant incentive to put off dealing with a long-term threat."¹¹⁰ Russia knows that China will present a much greater military and economic threat in the future. But the present deals with China are too good to pass up. Chinese capital and purchasing power are reinvigorating and stimulating the Russian energy sector. With the infrastructure and deals to buy natural gas and energy from Russia, China is making a large impact on the growth of that industry. As for the benefit to China, it needs energy now. Short-term cooperation provides for current needs but also prepares China for expansion and growth in the future. The Chinese BRI is poised to gain via a partnership with Russia, especially in respect to energy needs.

Viewed through the lens of realism, neighboring great powers should avoid all partnerships or other cooperative arrangements that leave them vulnerable. However, time horizons can explain why states sometimes appear to accept vulnerable relationships with powerful partners. Short-term cooperation can be driven by irresistible economic incentives that tempt a state in dire need of support to enter into a relationship of dependence. Similarly, states with critical long-term needs—especially those essential to further growth—will sometimes choose risky dependence now to secure benefits later.

Conclusion

Both countries are equally motivated to gain the most they possibly can in their partnership with one another. While dependency is often seen as a gamble for most international players, in this instance, Russia and China are taking the risks to ultimately ensure domestic

¹¹⁰ Ibid.

gains. The costs are not nearly as high as the potential benefits, therefore both countries are acting in their own self-interest to potentially better their country. The vulnerability they face by entering into this economic partnership is minimal compared to the threat the US poses against them and, in a way, they are acting in this manner to combat US threats and hegemony. Russia and China have the potential to be a menacing force on the international stage. If all BRI plans live up to expectation, the Chinese may have the ability to upend the current world order. Realist theory, at first, cannot understand why two countries of international might would make themselves vulnerable to one another, but when the bigger context of their partnership is analyzed, the steps can be seen as self-security.

Global Implications

For Russia and China, this move is one that could change the current world order. Balancing against US hegemony with each other, Russia and China are putting themselves in a place for China to grow and become the hegemon. The success of the BRI would place China even higher on the economic totem pole and would allow China to have direct access to all international markets. China's extended global reach would solidify alliances and partnerships previously unexplored and would allow it to move up even further. Although this push for international hegemony may not occur for some time, China has begun making moves that will one day place itself at the top of the international sphere.

As well, before even seeing BRI success, Russia and China partnering together gives them the opportunity to make pushes on the international stage in favor of policy that serves their interests. Making up two-fifths of the United Nations Security Council, they can use one another to push their political moves via the veto power. An alliance like theirs would mean that China can veto things on behalf of Russia and Russia on behalf of China, allowing them to fight

international backlash with support from one another. Their political goals and international focuses often differ quite extremely from the US and together they can make important steps to not only making their voices heard but actually changing international focuses.

Implications for US Foreign Policy

This partnership between Russia and China should make the US aware, if not cautious, of the tipping of the international scale. US hegemony may be put to the test in the coming future. As the sole hegemon since WWII, the United States has yet to see a challenger rise to take the role of the hegemon. China, with Russia's assistance, could one day do just that and rival the US's role as the international provider, protector, and power. The US should not take this lightly and brush it off as a doomed Chinese partnership. If the US could make China realize that it is necessary for Chinese economic success, then potentially the US could fend off a challenger. The first step would be for the US and China to make steps towards ending their economic trade war. As of right now, no solid agreements have been made to ease up a majority of the tariffs and regulations on trade. A serious agreement on trade could see a more stable and peaceful relationship between the US and China, making China less dependent on its northern neighbor. Turning the Chinese back towards the side of the US could benefit them economically, allow for potential dependency on the US, instead of Russia, and see the US as an integral player in the future success of the BRI. Although promising, this is not likely to occur under the current US administration.

It may take years, but the US has the ability to counteract the moves towards one another that Russia and China are taking. If left alone, Russia and China have the ability to cooperate in a way that benefits both of them and puts them better off than they are now. If the US does not step in between Russia and China's budding relationship, they may see China's power grow as a

potential challenger to the US's version of the international situation. Russia's and China's increased cooperation *will* change the world order.